GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1075
ANSWERED ON:22.07.2016
Crop Loan
Singh Shri Bhola

Will the Minister of FINANCE be pleased to state:

a) the current rate of annual interest and grant limit on crop loan and long term loans to farmers;
(b) whether the farmers have received any relief measures through restructuring crop loans by allowing them to repay it later and availing fresh loans;
(c) if so, the details thereof, State/UT-wise including Uttar Pradesh;
(d) whether the Government has formulated long term plans/policy for the crop loans; and
(e) if so, the details thereof along with the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a): The interest rates on loans have been deregulated by Reserve Bank of India (RBI) and they are now linked to the Base Rate fixed by the banks. However, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh with a view to ensuring availability of short term agriculture credit at a reduced interest rate of 7% p.a. to farmers. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

Interest rate on long term agricultural loans are linked to the Base Rate fixed by respective banks and as such financing banks have the freedom to charge suitable rate of interest on these loans as per their loaning policy approved by their Board. However, a Long Term Rural Credit Fund (LTRCF) has been set up by the Government in National Bank for Agriculture & Rural Development (NABARD), under which refinance is provided to Regional Rural Banks (RRBs) and Cooperative Banks by NABARD at concessional rate (currently at 5.40%) so as to motivate these banks to extend agricultural term loans to farmers at concessional rate of interest.

(b) & (c): RBI has issued directions for relief measures to be provided by lending institutions in areas affected by natural calamities, which include restructuring of existing crop loans and term loans, extending fresh loans, relaxed security and margin norms, moratorium of minimum 1 year, no penal interest in respect of current dues in default, etc. These directions have been so designed that they are automatically set in motion without any intervention and this saves precious time. The State-wise details of loans restructured during the last three years (2012-13, 2013-14 and 2014-15), as reported by RBI, are given in Annex.

(d) & (e): In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to draw cash to purchase agricultural inputs such as seeds, fertilizers, pesticides as well as meet other agricultural and consumption needs. The KCC Scheme has since been simplified by providing the farmers with ATM enabled debit card based on one-time documentation and built-in cost escalation in the limit, etc.

Besides the KCC policy and other initiatives mentioned in (a), (b) & (c) above,the following other measures/steps have been taken by Government/RBI/NABARD to ensure availability of hassle-free loan to farmers:

â€¢ The guidelines on Priority Sector Lending (PSL) of RBI mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture.

â€¢ Government sets annual target for the flow of credit (both crop loan and term loan) to the agriculture sector. Banks have been consistently surpassing the annual target.

â€¢ To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.

â€¢ Banks have been advised by RBI to waive margin/security requirements of agricultural loans upto Rs.1,00,000/-, vide RBI's circular dated 18th June, 2010.